

Message Text

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C O R R E C T E D C O P Y (TO TEXTS)

E.O. 11652: NA

TAGS: BMEP, BEXP, EIND, ETRA, TW

SUBJECT: MAJOR PRODUCTS: CHINA STEEL MILL CORP.

REF: A. TAIPEI 1152, B. STATE A-3450 OF APRIL 29, 1974

USDOC FOR MAJOR PROJECTS DIVISION

DEPT PASS EXIM BANK

HONG KONG FOR RAND

1. SUMMARY: AT LONG LAST IT NOW SEEMS PROGRESS IS BEING MADE INTO GETTING THE STEEL MILL PROJECT STARTED. CHINA STEEL HAS NOW EITHER CONTRACTED FOR OR IS IN FINAL NEGOTIATIONS WITH AMERICAN FIRMS FOR THE

PURCHASE OF EQUIPMENT VALUED AT OVER US\$95 MILLION, WHILE US FIRMS HAVE TENDERED FOR EQUIPMENT VALUED AT AROUND \$US28 MILLION. THESE ARE OFFSHORE PROCUREMENT COSTS AND DO NOT INCLUDE LOCAL EXPENDITURES.

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2. THERE ALSO WILL BE ADDITIONAL OPPORTUNITIES FOR THE SALE OF

U.S. EQUIPMENT REQUIRED FOR THE POWER PLANT, UTILITIES AND THE MAINTENANCE SHOP AS WELL AS AUXILIARY EQUIPMENT THROUGH THE PLANT. END SUMMARY.

3. T.K. LIU, EXECUTIVE VICE PRESIDENT, CHINA STEEL MILL CORP., PROVIDED COMMATT ON MAY 13 AN UPDATING (SEE REFTEL A) ON THE STATUS OF PROGRESS FOR THE VARIOUS "PACKAGES" COMPRISING THE STEEL MILL PROJECT AS FOLLOWS:

A. PLATE MILL: CONTRACT CONCLUDED WITH MESTA FOR MECHANICAL EQUIPMENT ONLY VALUED AT AROUND US\$23 MILLION. ORDER VALUED AT AROUND \$2 MILLION ALSO PLACED WITH MESTA FOR SPARE PARTS REQUIRED AT OUTSET OF PRODUCTION. ORDERS FOR ADDITIONAL SPARES WILL BE PLACED WITH MESTA AT A LATER DATE. ELECTRICAL EQUIPMENT FOR THE MILL WILL BE PURCHASED FROM GE FOR AROUND US\$6.8 MILLION. LETTER OF INTENT HAS BEEN ISSUED. SLAB RE-HEATING FURNACE TO BE PURCHASED FROM SURFACE COMBUSTION DIVISION OF MIDLAND-ROSS FOR AROUND US\$2.9 MILLION. LETTER OF INTENT HAS BEEN ISSUED. OTHER SHOP, TESTING AND AUXILIARY EQUIPMENT NOT FINALIZED. SPECS NOW BEING DRAWN UP.

B. STRUCTURAL STEEL: STRUCTURAL STEEL FOR 3 MAIN MILLS AND CERTAIN ANCILLARY BUILDINGS TO BE PURCHASED FROM BRISTOL STEEL. CONTRACT CONCLUDED FOR US\$18 MILLION.

C. BAR MILL: CONTRACT FINALIZED BUT NOT YET SIGNED WITH LOW-KNOW AT COST OF AROUND US\$11 MILLION.

D. ROD MILL: CONTRACT FINALIZED BUT NOT YET SIGNED WITH MORGAN CONSTRUCTION. COST TO BE AROUND US\$9.6 MILLION.

E. ELECTRICAL EQUIPMENT FOR ROD AND BAR MILL: CONTRACT FINALIZED BUT NOT YET SIGNED WITH WESTINGHOUSE. COST TO BE ABOUT US\$6 MILLION.

F. VENTILATORSS FOR PLATE, ROD AND BAR MILLS: NEGOTIATIONS UNDER WAY WITH TWO U.S. FIRMS. ESTIMATED COST IS OVER US\$1 MILLION.

G. PILING: PILING SHELLS ON ORDER FROM RAYMOND. COST TO BE US7 MILLION PLUS. ACTUAL PILING WORK WILL BE DONE BY RETSER USING RAYMOND TECHNIQUES AND TECHNICAL ASSISTANCE. CHINA STEEL WILL PAY RAYMOND AROUND \$3 MILLION FOR SERVICES RENDERED TO RETSER.

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H. HEAVY OVERHEAD CRANES: LETTER OF INTENT ISSUED TO ALLIANCE. VALUE IS APPROXIMATELY US\$4 MILLION. THERE IS SLIGHT PROBLEM HERE INASMUCH AS VICE PRESIDENT OF ALLIANCE (WHO NEGOTIATED WITH CHINA STEEL) SUBSEQUENTLY WAS OVERRULED BY COMPANY PRESIDENT WHO CONTENTED VP DID NOT HAVE AUTHORITY TO NEGOTIATE FIRM CONTRACT WITHOUT HOME OFFICE CONFIRMATION AND APPROVAL. LETTER OF INTENT ALLOWED FOR 5 PERCENT ESCALATION WHICH ALLIANCE CONTENTED IS INSUF-

FICIENT. VP REPORTEDLY WAS RECENTLY FIRED OVER THE MATTER. ALLIANCE NOW WISHES TO SOURCE ENTIRELY THROUGH EITHER JAPANESE OR UK LICENSEE WHICH IS NOT ACCEPTABLE TO CHINA STEEL. IT WOULD ACCEPT, HOWEVER, UP TO 1/4 TO 1/3 NON-U.S. SOURCING AND ARE PREPARED TO ARRANGE SEPARATE FINANCING FOR NON-U.S. PORTION. CHINA STEEL NOW PROPOSING TO PAY ALLIANCE 40 PERCENT UPON SIGNING OF CONTRACT INSTEAD OF INITIALLY AGREED 20 PERCENT AND BELIEVES MATTER CAN BE RESOLVED TO SATISFACTION BOTH PARTIES.

I. ADDITIONAL OVERHEAD CRANES: MORGAN AND ALLIANCE DECLINED TO QUOTE. P & H AND CLEVELAND QUOTED ALONG WITH FIRMS FROM JAPAN AND UK. QUOTATIONS NOW BEING REVIEWED. ESTIMATED COST IS AROUND US\$10 MILLION.

J. PORTABLE CRANES: 30 UNITS HAVE BEEN CONTRACTED FOR AND ORDERED:

(1) FIVE 50-TON CRANES- FROM P&H; \$750,000

(2) TWO 15-TON CRANES-FROM KOEHRING; \$110,000

(3) ONE 10-50 CRANE-FROM SUMITOMO (LICENSEE OF LINK BELT WHICH DECLINED TO QUOTE DIRECTLY)

TEN 50-TON CRANES-FROM SUMITOMO

TWO 30-TON CRANES-FROM SUMITOMO

TEN 35-TON CRANES-FROM SUMITOMO; TOTAL COST IS AROUND \$2.5 MILLION.

(NOTE: VICE PRESIDENT LIU NOTED THAT US 50-TON CRANES WERE APPROXIMATELY 35 PERCENT HIGHER IN PRICE THAN JAPANESE QUOTES. HOWEVER, HE STATED THE QUALITY AND LIFE EXPECTANCY OF THE US CRANES OFFSET THE PRICE DIFFERENTIAL. THE CRANES BOUGHT FROM P&H WILL BE MADE A PART OF PERMANENT INSTALLATION WHEN PROJECT COMPLETED AND THE JAPANESE CRANES (AT LEAST SOME OF THEM) WILL BE DISPOSED OF OR WRITTEN OFF.)

K. HEATING FURNACE: SURFACE COMBUSTION AND SALEM WILL QUOTE. DRESSER AND LOFTUS ENGINEERING DECLINED. BIDS ARE NOT YET IN. LIMITED OFFICIAL USE

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L. NORMALIZING FURNACE FOR PLATE MILL: SURFACE COMBUSTION, SALEM AND DREVER WILL QUOTE. DRESSER AND LOFTUS BOTH DECLINED. BIDS ARE NOT IN YET.

M. BLAST FURNACE: NEGOTIATIONS STILL UNDER WAY WITH ISHIKAWAJIMA HEAVY INDUSTRIES. CHINA STEEL CONSIDERS IHI PRICE EXCESSIVE BUT IN ABSENCE OF OTHER BIDS ITS BARGAINING POSITION IS WEAK.

N. COKE OVENS: QUOTES RECEIVED AND NOW BEING EVALUATED FROM KOPPERS, C. OTTO (GFR), CARL STILL (GFR), AND SIMON CARVERSS (UK). (NOTE: CHINA STEEL CONCERNED THAT IF SIMON CARVERS MEETS SPECS AND IS COMPETITIVE BIDDER, CAN THEY MEET DELIVERY SCHEDULE. IN FACT, THIS IS MAJOR CONCERN WITH REGARD TO ANY BIDS RECEIVED FROM BRITISH COMPANIES.)

O. SINTERING PLANT: ONLY ONE QUOTE RECEIVED. HEAD-

WRIGHTSON (UK) HAS QUOTE BUT PRICE IS CONSIDERED TOO HIGH. MCKEE WOULD QUOTE ONLY ON COST PLUS BASIS WHICH IS NOT ACCEPTABLE TO CHINA STEEL. LURGI (GFR) NOW BEING INVITED TO TENDER. (NOTE: BELIEVE CHINA STEEL MIGHT BE RECEPTIVE TO AND CONSIDER A FIXED PRICE CONTRACT WITH REASONABLE ESCALATION IN CASE MCKEE WISHES TO RECONSIDER ITS POSITION.)

P. MAIN TRANSFORMERS: INVITATIONS TO TENDER FOR TWO 100,000 KVA TRANSFORMERS HAVE BEEN ISSUED TO GE, WESTINGHOUSE, SEIMENS, BBC (SWITZ), ASEA (SWEDEN) AND A JAPANESE FIRM. TENDERS ARE DUE JUNE 9.

Q. MATERIALS HANDLING: SPECIFICATIONS DUE WEEK OF JUNE 13. DRAVO AND ONE OTHER US FIRM, IHI, MITSUBISHI AND A BRITISH FIRM WILL BE INVITED TO TENDER.

R. STEEL MAKING SHOP: KOPPERS AND DRAVO DECLINED TO BID. BIDS EXPECTED FROM KAWASAKI AND DAVY-ASHMORE (U). ESTIMATED COST IS US \$25 MILLION.

S. CONTINUAL CASTING MACHINERY: QUOTE OF US\$18.5 MILLION FOR SLAB CASTER RECEIVED FROM OKURA (LICENSEE OF US STEEL TECHNOLOGY) CONSIDERED TOO HIGH. QUOTE OF US\$13.5 MILLION RECEIVED FROM WEST GERMAN FIRM BUT USING DIFFERENT TECHHNOLOGY. CHINA STEEL PREPARED TO ACCEPT OKURA OFFER IF PRICE IS NO MORE THAN 15 PERCENT HIGHER THAN THAT OFFERED BY WEST GERMAN FIRM. IT IS NOW AROUND 40 PERCENT HIGHER. PURCHASE OF BLOOM CASTERS AND ALL AUXILIARY EQUIPMENT VALUED AT AROUND US\$8 MILLION ALREADY NEGOTIATED WITH MITSUBISHI HEAVY LIMITED OFFICIAL USE

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INDUSTRIES. CONTRACT FOR FIXXED PRICE BUT FINALIZATION SUBJECT TO FULL TECHNICAL EEVALUATION.

T. POWER PLANT, UTILITIES: (I.E., WATER, GAS AND ELECTRICAL DISTRIBUTION) APPLICATIONS NOW UNDER PREPARATION.

U. MAINTENANCE SHOP EQUIPMENT: STILL IS PLANNING STAGE. CHINA STEEL WILL BE INTERESTED IN CERTAIN TYPES OF US MACHINE TOOLS. UNGER

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